



Legislative Fiscal Bureau

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February 9, 2009

TO: Senator John Lehman
Room 310 South, State Capitol

FROM: Eric Peck, Fiscal Analyst

SUBJECT: Funeral and Burial Expenses under Section 49.785

As you requested, this memorandum provides information regarding the funeral and burial expenses eligible for reimbursement under s. 49.785 of the Wisconsin Statutes, and estimates how those costs might be impacted if the state were required to provide reimbursement in cases where the total funeral and burial expenses were less than or equal to \$4,500, rather than \$3,500 as the statute currently specifies.

Section 49.785 currently requires counties and tribal governing bodies to pay cemetery costs, and funeral and burial costs, for certain decedents (including individuals who were receiving W-2 or SSI benefits, as well as some medical assistance recipients) when their estate is not sufficient to pay those costs. Reimbursement for cemetery costs is limited to the lesser of \$1,000 or the cemetery expenses not paid by the decedent's estate or by other persons, and is available only if the decedent's total cemetery expenses do not exceed \$3,500. Reimbursement for funeral and burial costs is limited to the lesser of \$1,500 or the funeral and burial expenses not paid by the decedent's estate or by other persons, and is available only if the decedent's total funeral and burial costs do not exceed \$3,500. The following table summarizes the cemetery, funeral and burial costs paid by the state under s. 49.785 for the past three calendar years:

	<u>2006</u>	<u>2007</u>	<u>2008</u>
Cemetery Costs Reimbursed	\$2,198,511	\$2,537,439	\$2,637,580
Avg. Cemetery Costs Reimbursed per claim	\$693	\$728	\$756
Funeral & Burial Costs Reimbursed	\$3,929,110	\$4,401,468	\$4,389,435
Avg. Funeral & Burial Costs Reimb. per claim	\$1,241	\$1,266	\$1,266
Total Cemetery, Funeral & Burial Costs Reim.	\$6,127,621	\$6,938,907	\$7,027,015

These cemetery, funeral and burial costs are paid through the Department of Health Services' (DHS) income maintenance (IM) appropriation. In recent years, funding for the DHS IM appropriation has been relatively constant, increasing from \$36,476,600 GPR in fiscal year 2004-05 to \$37,356,300 GPR in fiscal year 2008-09.

In addition to cemetery, funeral and burial costs under s. 49.785, the DHS IM appropriation is also used to reimburse counties and tribes for a portion of the costs they incur to perform income maintenance duties in connection with the state's FoodShare, Medical Assistance, and BadgerCare Plus programs. The increased cost of performing those income maintenance duties in recent years, coupled with the relatively flat funding in the DHS IM appropriation, has required counties and tribes to spend more of their own funds to perform those income maintenance duties. Those county and tribal funds, referred to as the "local overmatch," increased from \$15,539,700 in calendar year 2004 to approximately \$23,605,100 in calendar year 2007.

You asked for an estimate of the fiscal impact if the state were required to provide reimbursement in cases where the total funeral and burial expenses were less than or equal to \$4,500, rather than \$3,500. Your proposal would not increase the current \$1,500 maximum amount the state contributes towards eligible funeral and burial costs, nor would it make any changes to the existing statutory limits relating to cemetery costs.

There is insufficient information to provide a definitive estimate of the fiscal impact of your proposal. However, it seems likely that increasing the statutory maximum as proposed would, all things being equal, increase the costs borne by the state. Two examples support that conclusion. In the first example, the decedent's estate is able to contribute \$3,500 towards funeral and burial costs. Under the current statute, the estate would contribute \$3,500 and the state would contribute \$0. If the statutory cap increased to \$4,500, the decedent's estate would still pay \$3,500 and the state would contribute \$1,000, assuming the higher \$4,500 maximum encouraged individuals to incur higher funeral and burial costs (at no new net cost to the decedent's estate). In the second example, the decedent's estate is able to contribute \$2,300, and the funeral home discounts the total funeral and burial costs to \$3,500 in order to qualify for a state contribution, even though the actual funeral and burial costs are \$4,000. Under current law, the decedent's estate would pay \$2,300, the state would contribute \$1,200 and the funeral home would accept a discount of \$500. If the statutory maximum was raised to \$4,500, the estate would pay \$2,300, the state would contribute \$1,500 (rather than \$1,200) and the funeral home would accept a discount of \$200, rather than \$500.

Based on the partial information at our disposal, it is difficult to model the future behavior of individuals involved in these decisions. However, the examples above, combined with the absence of any foreseeable scenario under which the state's contribution would decrease, suggests that the proposal to increase the statutory maximum for funeral and burial costs from \$3,500 to \$4,500 would likely increase state reimbursement costs, albeit by an indeterminate amount.

I hope this is helpful. Please contact me if you would like any additional information.

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Wisconsin State Senate
John Lehman
Senator — 21st District

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Testimony of Senator John Lehman
Senate Bill 338
Senate Committee on Ethics Reform and Government Operations
January 20, 2010

Thank you Chairperson Risser and members of the Senate Committee on Ethics Reform and Government Operations for holding a hearing on Senate Bill 338.

Wisconsin, through the counties, currently provides \$1,500 to help cover funeral expenses for those who had limited or no assets at the time of death. This ensures that even the poorest among us has a right to a proper funeral. In order to qualify for this funding, the total cost of a funeral must be no higher than \$3,500, a level set in 1995.

It is important to note that Senate Bill 338 does *not* increase the amount of aid provided by the state, but it does raise the cap on total funeral costs to \$4,500. Any payments over \$1,500 must be made by friends and relatives who approve that level of expenditure.

According to the most recent data provided by the National Funeral Directors Association, the cost of an average funeral is over \$7,300. Wisconsin's funeral directors often drastically reduce the price of even their least costly services to allow families to utilize state assistance.

In order for funeral homes to continue to provide this service without needing to cost-shift their losses to other customers, this bill makes a necessary adjustment for inflation. This change would also allow families of the deceased to contribute more toward their loved one's funeral.

In order to maintain this important benefit for low-income people, I urge the committee to support Senate Bill 338. Thank you for your consideration.

21ST SENATE DISTRICT

